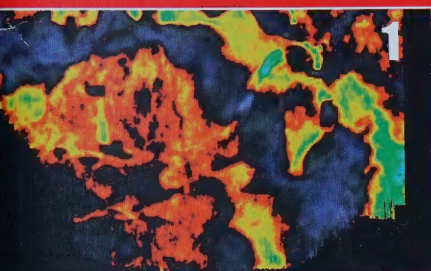
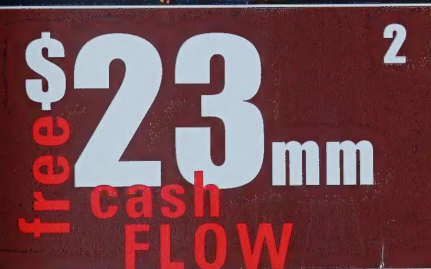


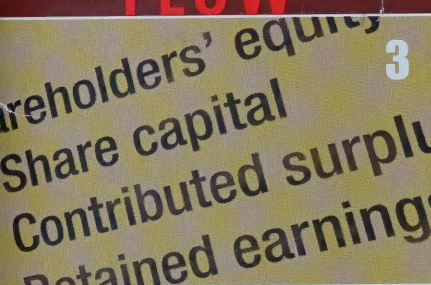
4 Facts about:



our seismic data



measuring our
performance



our strengthened
balance sheet



our growth plans

 **pulse data**

2005 ANNUAL REPORT

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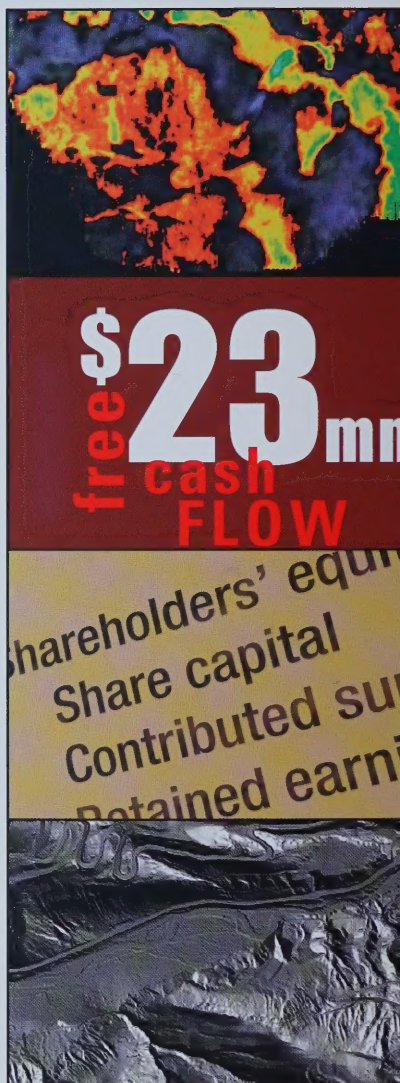
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BETTER INFORMATION FASTER™

**Our business is
straight forward.**

**We license use of
our seismic data.**

We grow the seismic library by shooting new seismic data which is pre-licensed to oil and natural gas explorers (participation surveys) or by direct purchase of seismic datasets.

We are on the leading edge of new surveying technologies, including LiDAR.

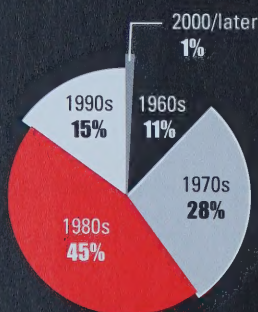
**And we pay an annual dividend –
which we doubled in 2005 to
10 cents per share, and increased
again by 50 percent in Q1 2006 to
15 cents per share.**

**Seismic data
retains
its value.**

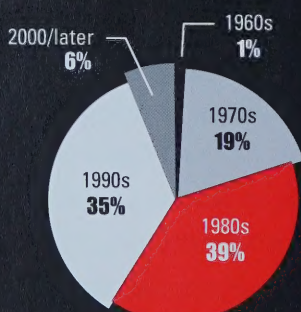
Fact 1

Improved technology enables repeated reprocessing of the seismic data from our seismic data library – creating enduring customer demand.

Chronological distribution of 2D seismic in Pulse's data library

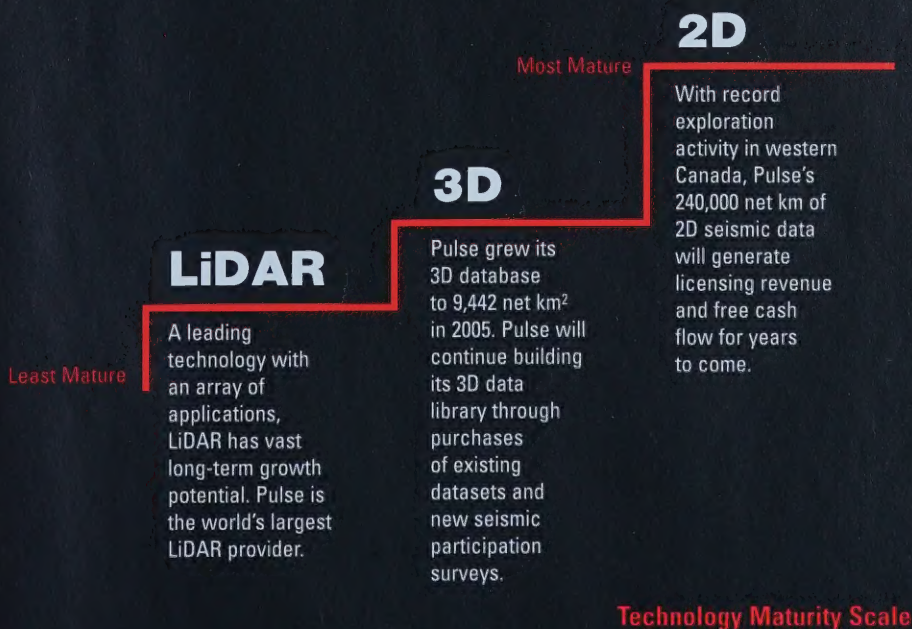


Distribution of fiscal 2004 and 2005 2D seismic revenues



**We're investing
in leading-edge
technologies and
in continually
augmenting our
2D and 3D seismic
data libraries.**

Fact 4

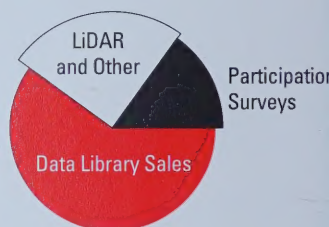


**Free cash
flow is the
gold standard for
measuring our
performance.**

Fact 2

Pulse's Free Cash Flow Business Model

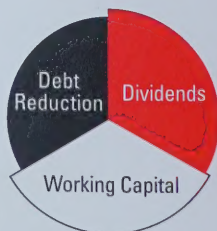
Free cash flow is what we generate after paying operating expenses, general and administrative costs, interest expense, income taxes, and the gross capital expenditures for seismic participation surveys. Free cash flow is available to Pulse for working capital, repaying debt and distributing dividends to our shareholders. It's the best way to measure our performance and value the Company.



**Sources of funds
from operations**



\$XX million
Free cash flow



**Allocation of
free cash flow**

**Pulse continued
to strengthen
its balance
sheet in 2005.
The evidence:
repayment of
long-term debt
and substantially
improved cash
and working
capital positions.**

The benefits: Pulse doubled its annual dividend rate to 10 cents per share in 2005, increased the dividend again in Q1 2006 by 50 percent and entered 2006 in a very strong financial position to drive our continued growth.

Fact 3

1.1:1

Ratio of total long-term
debt to 2005 free cash flow

0.3:1

Ratio of total long-term debt
to shareholders' equity

\$16.9 million

Working capital at
December 31, 2005

\$23.5 million

2005 free cash flow

15 cents/share

Annual dividend rate
(effective Q1 2006)

Financial Highlights

12 months ended December 31, (\$000s except per share data and number of shares)	2005	2004	% Change
Revenue:			
Data library sales	34,905	25,674	36
Participation surveys	10,006	19,916	(50)
LiDAR	8,452	3,886	52
Trango and other	1,229	1,516	(19)
Total revenue	54,592	50,992	7
Amortization of data libraries	21,536	22,862	(6)
Net earnings	6,488	7,719	(16)
Net earnings per share:			
Basic and diluted	0.14	0.18	(22)
Funds from operations ⁽¹⁾	35,017	36,776	(5)
Funds from operations ⁽¹⁾ per share:			
Basic	0.76	0.84	(10)
Diluted	0.75	0.84	(11)
Free cash flow ⁽¹⁾	23,458	11,988	96
Working capital	16,996	3,845	342
Total assets	129,569	108,426	19
Capital expenditures:			
Seismic data purchases	15,225	1,295	1,076
Participation surveys	11,559	24,788	(53)
Changes to work in progress	190	(8,436)	1,023
Property & equipment additions	1,510	574	163
Total capital expenditures	28,484	18,221	56
Long-term debt (net)	20,772	11,203	85
Shareholders' equity	82,432	77,507	6
Weighted average shares outstanding:			
Basic	46,161,608	43,646,866	6
Diluted	46,842,744	43,990,061	6
Shares outstanding at period-end	46,559,778	45,774,816	2

⁽¹⁾ These non-GAAP financial measures are defined in the Management's Discussion and Analysis beginning on page 17.

Operational Highlights

Seismic Data Library As at December 31,	2005	2004	% Change
2D (net km)	239,822	239,288	1
3D (net km ²)	9,442	6,522	45

President's Letter to Shareholders

Pulse undertook important measures throughout 2005 that covered all aspects of our business and leave us substantially strengthened to pursue our growth strategy in 2006. Capital expenditures were focused primarily on augmenting our 3D seismic library, adding nearly 3,000 net km² of 3D data. We deliberately reduced investment in seismic participation surveys in 2005 in order to maximize growth of our seismic data library through the purchase of existing data. This strategy resulted in our highest level of free cash flow since our entry into the public marketplace in 1999.

This strategy also enabled us to strengthen our balance sheet by continuing to repay long-term debt and increasing our working capital and cash positions going into 2006. Very important as well is the reorganization of our sales and marketing personnel for both our seismic business segment and the Terrapoint (LiDAR) business segment. Improvement on the human resources and administrative sides complements our solid foundation of high-quality products and services and leading technologies. It will help Pulse to succeed in its pursuit of the major growth opportunities we foresee.

Below I will elaborate on the **4 Facts** presented on the preceding pages.

Fact 1 – That previously acquired seismic data retains enduring marketable value is the underlying premise of all seismic database companies. Our world's rapid pace of technological change does not negate the quality of seismic data. Quality raw data shot 10, 20, and 30 years ago may be substantially improved using the processing software and the interpretation tools available to today's exploration teams that drill for new reserves. As these technologies keep getting better, existing seismic data can be reprocessed over and over. That's the basis of our business.

What makes Pulse's seismic library a growth business is the combination of continual investment to enlarge the library (more on that in Fact 4), and the very high levels of exploration and development drilling activities throughout the Western Canada Sedimentary Basin. The provincial land tenure systems in western Canada generally turn over unexplored mineral rights every five years. This creates significant impetus to explore leased lands or farm-out the exploration and drilling rights to avoid expiries. Sustained high commodity prices create an even greater incentive to explore, as do record production rates creating a need for companies and trusts to replace their depleted reserves and production. Seismic data is an essential ingredient to successful exploration.

Consequently, western Canada is currently averaging 20,000-25,000 new wells per year – nearly five times the level experienced in the early 90s. Among the most active explorers are the proliferating junior companies. While these companies shoot some of their own seismic, they rely heavily on publicly available seismic data.

These factors create sustained demand to purchase the right to use data from Pulse's 2D and 3D seismic libraries. While 2D seismic is generally "old," exploration teams still rely on its wide coverage areas to construct regional geological maps and identify preliminary drilling leads and prospects. 3D seismic data, meanwhile, is the key tool to refine drilling programs and discover today's harder-to-find oil and natural gas pools.

The overall result: Pulse in 2005 enjoyed record seismic licencing revenues of \$34.9 million.

Fact 2 – Despite being a non-GAAP measure, free cash flow really is the best metric to measure Pulse's performance and market value. It's important to understand our reasoning behind relying on free cash flow.

Funds from operations – net earnings plus non-cash expenses – is an important financial metric for most operating companies. But for companies like Pulse, reliance on traditional financial metrics creates a distorted picture when measuring the results of our participation surveys. Participation surveys create initial revenue, net earnings and funds from operations; but they do not generate cash – in fact they generate negative free cash flow. In addition, purchasing seismic data generates the same licensing revenue over time as the equivalent level of data acquired in a participation survey, but initially creates radically reduced levels of revenue, net earnings and funds from operations. For these two reasons, we feel net earnings is not an appropriate financial metric by which to judge Pulse's performance.

The participation surveys and seismic data purchases increase Pulse's asset base at low cost; however, participation surveys generate significant initial revenues in the form of the client's pre-funding contributions. The participation survey revenues (the client's contributions) are essentially encumbered as they are committed to funding the surveys. So while the participation surveys generate funds from operations according to the Canadian generally accepted accounting principles (GAAP), the funds are not free to be used to pay dividends, repay long-term debt or augment working capital – they have been applied to the participation survey. In fact, participation surveys usually generate negative free cash flow in the year that they are conducted.

For these reasons, ordinary funds from operations do not tell you how Pulse did in a given year, nor how we're positioned to fund future growth. But free cash flow – the cash flow that remains after deducting the entire capital costs of participation surveys – gives you a clear picture on both counts. (Please see page 26 of the Management's Discussion and Analysis for a more detailed discussion of free cash flow).

I'm pleased to report that in 2005, Pulse's free cash flow results were tremendous, totalling \$23.5 million or \$0.50 per share (diluted). That was an increase of 96 percent over 2004, and set a new Company record. An important reason for this performance was a record level of data licensing revenue, of \$34.9 million, which was an increase of 36 percent over 2004.

Pulse's free cash flow level tells you a number of things. It indicates how well we're positioned to invest in growth opportunities. Over the last three years we have significantly improved our balance sheet through internally generated free cash flow.

Free cash flow also proves that our seismic operations are "profitable" in the strictest sense of the word, and the value of Pulse has increased substantially – and continues to do so. In 2005 we generated enough free cash flow to substantially improve our balance sheet as well as doubling

Pulse's annual dividend rate to 10 cents per share. In Q1 2006 Pulse announced a further 50 percent increase in the annual dividend rate to 15 cents per share. The dividend announced for Q1 2006 is Pulse's 12th consecutive quarterly dividend.

With the recently announced potential change in the federal government's income tax treatment of dividends, which would essentially provide tax treatment equivalent to that of income trust distributions, ownership of Pulse shares is expected to be enhanced.

Finally, free cash flow provides a tool to assess Pulse's market value. I was very pleased for shareholders to see that, along with our growth in free cash flow and dividends, Pulse's share price increased from \$1.74 per share at year-end 2004 to \$2.35 per share on the last day of trading in 2005, a one-year gain of 35 percent (excluding the dividend yield). Pulse's share price has continued to increase during the first quarter of 2006.

Fact 3 – Our emphasis on free cash flow – and our ability to generate it – enabled Pulse to strengthen its balance sheet in 2005. We repaid \$5.5 million in long-term debt. Although we borrowed \$15 million for our important 3D seismic acquisition in June 2005, we exited the year with a solid ratio of total long-term debt to annualized free cash flow of 1.1 to 1 and total long-term debt to shareholders' equity of 0.3 to 1. Our working capital of \$16.9 million and cash of \$11.9 million at December 31, 2005 (compared to \$3.8 million of each at year-end 2004) created a strong position to pursue growth opportunities in 2006.

Fact 4 – Pulse is a growth company. Although our 2D data library showed only modest growth in 2005, our \$15.2 million purchase in Q2 2005 of 2,500 net km² of relatively new 3D seismic data increased our library to 12,000 gross km² (9,442 net km²) of 3D data in 2005. This was nearly three times the previous year's 3D seismic data additions, increasing our 3D seismic library by 45 percent over year-end 2004. Today Pulse is among the top Canadian seismic companies as measured by seismic data sales, 2D database, 3D database, data quality and free cash flow.

Our strong working capital position will enable us to invest substantially in 2006 to continue growing our data libraries. Capital expenditures will be directed to a combination of purchasing existing seismic data and conducting participation surveys. Industry fundamentals, including the outlook for exploration activity in western Canada, remain very strong. Drilling forecasts suggest yet another record-breaking year – a key driver for the demand of seismic in our business.

Both trends – our organic and industry growth – bode well for continuing healthy increases in seismic data licensing revenues and free cash flow. We also intend to continue strengthening our balance sheet and paying a dividend to our shareholders. Our net earnings will continue to vary depending on the mix of our seismic library growth modes of purchasing existing data or shooting new data through participation surveys.

As previously mentioned, we have renewed our emphasis on effective sales and marketing strategies. The combined responsibilities for developing marketable participation survey concepts,



closing the sales, and marketing our data libraries, have been placed under our new vice president of sales and marketing.

I believe the Terrapoint (LiDAR) business segment has tremendous long-term growth potential. LiDAR is at a much earlier stage of maturity than the seismic business. I see LiDAR in many ways as analogous to the seismic business 30 years ago. It has an almost mind-boggling range of potential applications. LiDAR is a disruptive technology, with its current uses and market penetration barely scratching the surface of what's possible over the long term.

Since acquiring Terrapoint we have concentrated on assembling a very strong, dedicated team which will be required to realize its full potential. In addition to filling key strategic operational and management positions we have appointed a new president, vice president of operations, vice president of engineering and vice president of sales and marketing. These new senior managers have been given the mandate to rebuild Terrapoint's business model from top to bottom and to pursue a growth strategy focused on core markets including the oil and natural gas industry, production and infrastructure development, utility corridors, transportation, land development and mining. Our reorganization, admittedly, hampered Terrapoint's short-term revenues and profitability. But we're confident that the overhaul will strengthen Terrapoint and position it to grow revenues and free cash flow in the future. Over the longer term, we see exciting growth potential for Terrapoint using our core expertise as a precision, geo-spatial positioning company providing LiDAR and related solutions to diverse industries.

Over the past 2 years Trango has been involved in a massive project to completely rewrite its core product Seismic Manager and develop new applications such as Well Manager and Geo Manager and web based applications which will allow our clients to securely search and view their seismic, well and geologic data using a standard web browser. These products are now complete and are receiving excellent acceptance in the marketplace. We believe seismic Manager is the software of choice for E&P companies to manage their seismic data in North America and Well Manager and Geo Manager can achieve the same status in their respective areas. Trango's growth will require a worldwide infrastructure of sales, marketing, support and development staff which is currently beyond the scope of Pulse, and therefore we have recently initiated a process to sell the Trango business unit to a company with the ability to provide the growth path for Trango. We expect this process to be complete within the second quarter of 2006.

Let me now thank all of the members of the Pulse team in every business segment for their enthusiasm, vision and dedication throughout 2005. I also welcome new employees to Pulse. Thanks to our 2005 results, our strong financial position, positive industry fundamentals and the competitive advantages created by our people, products and services, I look forward to 2006 with optimism.

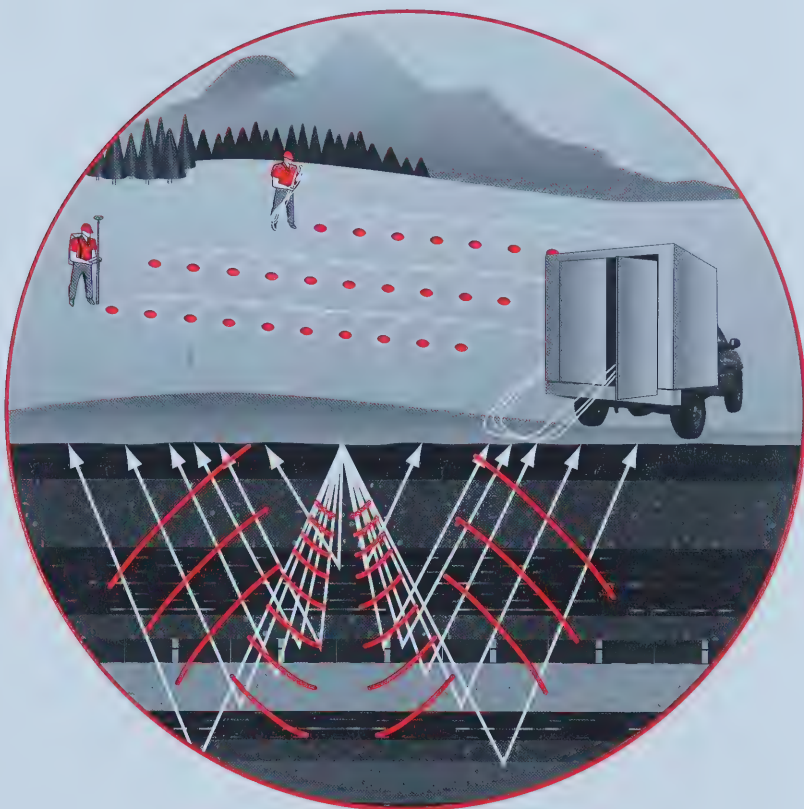


Ken G. MacDonald
President and C.E.O.

March 13, 2006

Overview

For more than 40 years, geological surveying using sound waves has been the most important tool for oil and natural gas explorers to discover new reserves deep underground. Seismic takes place almost anywhere – agricultural land, forests, mountains, and at sea. With continually improving processing and interpretation technology, explorers can reuse original seismic data to find new pools of oil and natural gas missed by previous drilling.



Simplified schematic of a modern 3D seismic shoot.

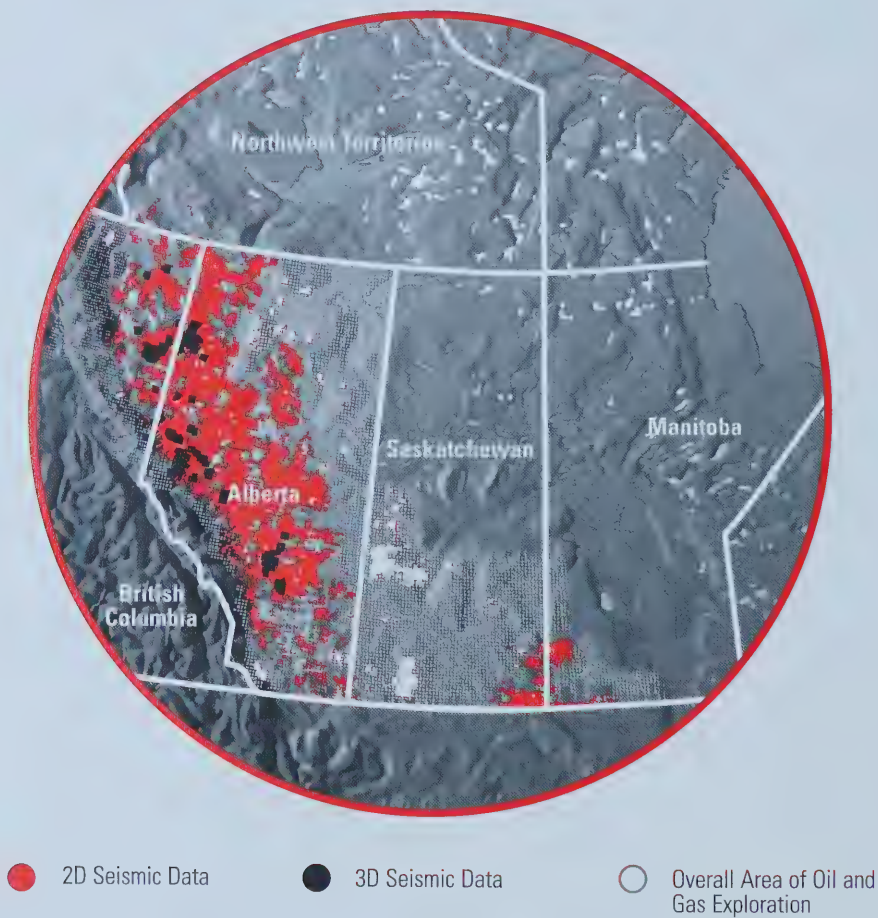
2D and 3D Seismic

Two-dimensional or 2D seismic data is arranged linearly, enabling explorationists to gain a general understanding of large areas at a relatively low cost. Three-dimensional or 3D seismic data is arranged in grids of various densities. Costlier 3D creates a much more detailed and accurate picture of the subsurface. 3D seismic data has enabled the industry to discover economic reserves of oil and natural gas that were unrecognized in the past.

Pulse’s 2D and 3D Seismic Coverage in Western Canada

Pulse has accumulated one of the largest libraries of publicly available 2D and 3D seismic data covering the Western Canada Sedimentary Basin. Pulse continually augments its libraries by purchases from owners of high-quality proprietary datasets and by developing and managing new participation surveys with explorers.

Pulse’s data library covers many of the Basin’s most active and prospective regions, including west central Alberta, the Peace River Arch, the Alberta Foothills and northeastern British Columbia, and



limited coverage in the lower Yukon, Northwest Territories, plus the traditional shallow oil and gas plays of the Alberta and Saskatchewan prairies, and selected areas in Manitoba.

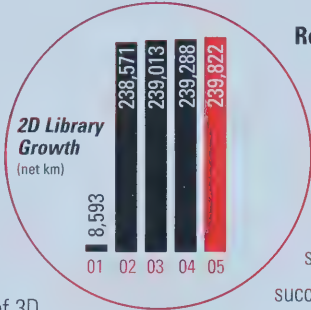
In 2005 Pulse invested \$26.8 million to acquire seismic data. The Company marginally added to its 2D library, currently at 239,822 net km, and substantially grew its 3D library by 45 percent to 9,442 net km² at year-end 2005.

From 2,000 net km of 2D data when it entered the public marketplace in 1999, Pulse has accumulated seismic libraries totalling 239,822 net km of 2D and 9,422 net km² of 3D seismic data at year-end 2005. The seismic business segment is two-pronged, consisting of continually augmenting the seismic library through participation surveys and licensing use of the data to exploration companies. In Q2 2005 Pulse purchased approximately 2,500 net km² of 3D seismic data and 500 net km of 2D seismic data, located in south-central Alberta, for \$15.2 million. The new data generated \$4.9 million in licensing revenue by the end of 2005.

Uses of Seismic – Exploration companies initially use 2D seismic because it is readily available, affordable and covers large areas, enabling companies to plan land acquisition programs and exploration drilling concepts. Once an area proves its potential and drilling activity increases, companies invest in the more detailed and accurate 3D seismic data.

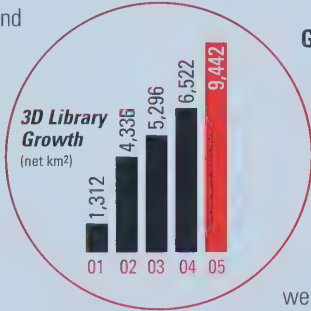
Pulse's Data Libraries – Pulse is committed to high-quality seismic data. A significant portion of the 2D seismic data was purchased from Chevron and Shell, which were meticulous operators and acquired data in relatively long lines and through the entire geological section. In acquiring 3D seismic

data, Pulse seeks datasets that captured multiple zones in the geological column. Pulse focuses on competitive exploration areas, so that its library offers datasets useful to numerous companies over time.



Revenue Growth – Driven by increases in available library data volume, the high quality of Pulse's seismic data and high levels of exploration activity, data licensing revenues have shown steady growth for successive years. Seismic data

licensing revenues were \$34.9 million in 2005, an increase of 36 percent from 2004. Approximately 34 percent of 2005 revenues came from 3D and 66 percent from 2D data licensing. At year-end 2005 the seismic data libraries had a total book value of \$79.7 million; 2D represented about 32 percent of this value and 3D the remaining 68 percent.



Going Forward – Pulse intends to continue growing its seismic data library through data purchases and participation surveys, while aggressively marketing its product to the industry. Exploration activity in western Canada remains the principal driver of seismic licensing revenues. Going into 2006, industry fundamentals are universally described as excellent, with strong to record forecasts for activity levels.

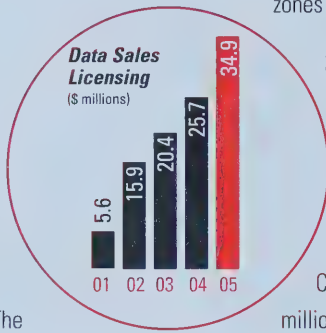
Participation Surveys

Seismic participation surveys generate current revenue from prefunding and add data to Pulse's library for future licensing. While limited 2D seismic relating to participation surveys exists today, especially in under-explored areas of the Rocky Mountains and Far North, western Canada is largely covered by 2D lines. Therefore, a large percentage of new seismic surveys are 3D.

How Participation Surveys are Executed –

Pulse designs new 3D seismic surveys covering areas of interest for one or more exploration companies. The Company manages the process and owns the resulting seismic data (although the data is usually under a limited exclusivity period before it may be publicly marketed). Under the direct supervision of Pulse employees, various specialized companies are subcontracted to cut, survey, drill, record and process the participation surveys. Pulse seeks to minimize the environmental footprint in sensitive areas, encouraging contractors to employ current technologies that bypass large trees, leaving a minimal lasting footprint.

Pulse's technical approach is to survey the entire prospective geological column in 3D, not merely a zone of particular current interest to the explorationist. This comprehensive approach increases the dataset's future licensing value, because subsequent exploration programs may focus on other zones of interest.



2005 Activity – In order to grow its library more quickly, in 2005 Pulse de-emphasized participation surveys in favour of acquiring existing data. The Company also invested \$11.6 million gross in four 3D participation

surveys covering 418 km² of highly prospective exploration lands in northern Alberta. The data became part of Pulse's library and is available for future licensing.

2006 Outlook – Given the sustained intensity of western Canada's exploration activity, Pulse foresees continued growth in demand for seismic data. Our focus this year will be to significantly increase the size of the data library by purchasing a substantial amount of data and by increasing the number of our participation surveys.

Trango

The Trango business segment offers seismic data management applications, data base management services and Internet marketing applications for data libraries and wells owned by oil and natural gas companies. Revenues include software license sales, support, installation services, migration services and data base audits.

In 2005, Trango made significant inroads into the United States marketplace, and through

its growing reputation for providing quality exploration data management products and services, increased its market share. Trango has provided a quality product to Pulse that efficiently manages the Company's seismic data library requirements. It remains a non-core commercial business of Pulse, and the Company has initiated a program to review a potential restructuring or monetization of Trango in 2006.

Terrapoint

World's Largest – Acquired by Pulse in 2004, Terrapoint has since inception conducted approximately 500 LiDAR surveys covering approximately 150,000 km² in 12 countries. With offices in Ottawa, Houston and Calgary, Terrapoint operates the world's largest LiDAR fleet, including low-altitude helicopter-mounted systems, high-altitude fixed-wing-aircraft systems, including our recently announced state-of-the-art Optech 3100 system, plus a truck-mounted system currently in development.

The LiDAR Advantage – Light Detection And Ranging has revolutionized surveying and mapping. LiDAR technology maps complex, remote or built-up areas quickly and in a more cost-effective manner than traditional techniques. By combining lasers, GPS, inertial navigation systems, video and sophisticated algorithms, Terrapoint produces Digital Elevation Models (DEM) of the earth's surface to centimetric accuracy. Terrapoint has conducted large surveys under extremely difficult circumstances at up to six times traditional efficiencies.

2005 Activities and Results – Terrapoint conducted 135 LiDAR surveys in 2005 in the oil and natural gas, land development, mining, transportation, utilities and flood mapping sectors. Terrapoint is starting to build a significant DEM data library, with 23,000 net km² of surface data in its library. Revenues totalled \$8.6 million in 2005, an increase of 118 percent from 2004.

Growth Potential – Because LiDAR is an industry-reshaping technology that has achieved only superficial market penetration, Terrapoint has excellent growth potential. LiDAR has innumerable applications to improve overall survey accuracy, save time,

reduce costs, or achieve results unattainable through traditional techniques, including:

- Oil industry seismic survey and infrastructure planning;
- Surveying of open pit mines with up to 2 million data points per km²;
- Identification of physical hazards on airport runway approaches, and airport layout planning;
- Non-intrusive, cost-effective land use and development planning;
- Powerline mapping and associated obstruction hazard evaluation;
- Flood risk mapping;
- Simultaneous terrain survey and tree canopy modelling for the forest sector; and
- Potential road and infrastructure surveying at speeds of up to 100 km/h, at night, without placing ground crews at risk.

Ongoing Development – Terrapoint invests approximately \$1.2 million per year in R&D to increase the system's flexibility and accuracy under difficult field conditions, and to develop new applications for LiDAR data and new data analysis tools for clients. Numerous unrelated industry processes require detailed positioning knowledge. In Terrapoint's vision, LiDAR is only one part of a comprehensive suite of GIS technology.

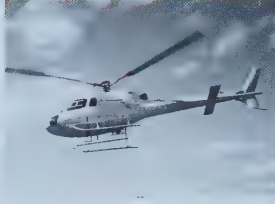
Pulse's Strategy – In 2005, Pulse began an overhaul of Terrapoint's sales and marketing program. A new vice president is responsible for rebuilding the sales force and pursuing a focused strategy to network in key industries, identify growth markets and market Terrapoint's services to the core markets of oil and natural gas, mining, transportation, power lines and land development. Terrapoint's marketing approach is also evolving to market complete data solutions in addition to raw data to clients.

LiDAR Methods and 2005 Projects



1 Fixed-wing-aircraft *High accuracy*

Terrapoint's high-range fixed-wing Airborne LiDAR Terrain Mapping System employs a multiple return system, suitable for dense urban and vegetated areas, and carefully optimized for large-area surveys. It provides raw data quality compatible with the creation of high-accuracy DEM and DTM products. In 2005 Terrapoint's fixed-wing surveys focused primarily on oil and natural gas and flood mapping sectors. In March 2006 Terrapoint announced that it had augmented its fixed-wing capabilities by purchasing a state-of-the-art Optech 3100 LiDAR system. This system will be delivered in April 2006.



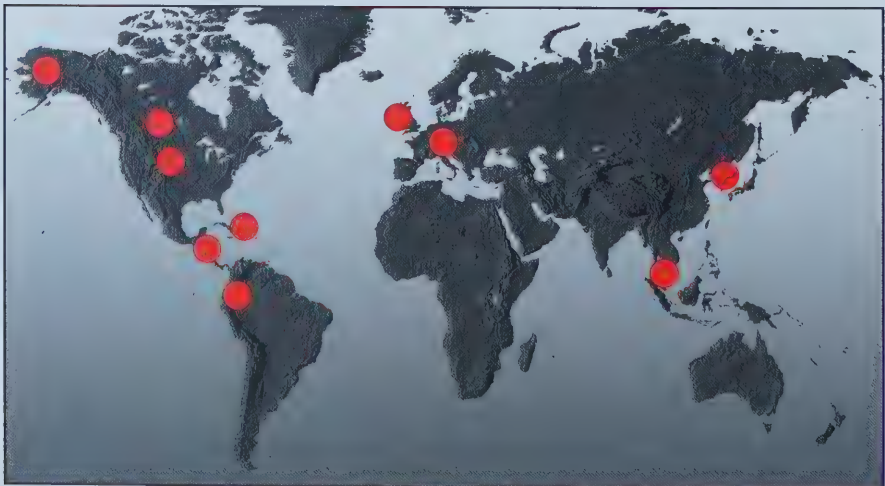
2 Helicopter-mounted *Higher accuracy*

Terrapoint's ALMIS-350 helicopter-mounted system is designed for high accuracy, high point-density engineering applications such as highways, power lines, pipelines, railways, land development and inaccessible areas. The ground-point-density can be as close as 15 centimetres, with a vertical accuracy of 5-7 centimetres. The systems are portable and enclosed, and certified for a range of common civilian helicopters. In 2005 Terrapoint's helicopter surveys focused on the land development, transportation and utilities sectors.



3 Truck-mounted *Highest accuracy*

Terrapoint's revolutionary Mobile Terrestrial LiDAR System (MTLS) can be rapidly deployed on the bed of a truck. It was developed for a crucial road-surveying project in Afghanistan, due to safety concerns for civilian aviation and lack of suitable civilian helicopters. During winter 2003/2004 Terrapoint's MTLS surveyed 566 km in 45 days. This compared to an earlier section of 400 km surveyed in 200 days using traditional techniques. Terrapoint is focusing on completing development of the MTLS, which is primarily aimed at transportation surveying, and intends to begin marketing this capability over the next 12 months.



Worldwide LiDAR Projects

Management's Discussion and Analysis

Year ended December 31, 2005

The following Management's Discussion and Analysis ("MD&A") for Pulse Data Inc. ("Pulse" or "the Company") has been prepared taking into consideration information available to March 13, 2006 and is supplemental to the consolidated financial statements and related notes for the year ended December 31, 2005. The audited consolidated financial statements for the year ended December 31, 2005 were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

This MD&A focuses on key statistics from the consolidated financial statements, and pertains to known risks and uncertainties relating to the seismic industry, the LiDAR industry and the software and related services industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions, as well as oil and natural gas prices, industry activity levels, and the ability of oil and gas companies to raise capital. Additionally, other circumstances may or may not occur which could impact the licensing of seismic data and sales of the other services supplied by the Company.

The Company's continuous disclosure documents provide discussion and analysis of "free cash flow", "funds from operations" and "funds from operations per share". These financial measures do not have standard definitions prescribed by GAAP in Canada and therefore they may not be comparable to similar measures disclosed by other companies. The Company has included these non-GAAP financial measures because management, investors, analysts and others use them as measures of the Company's financial performance. The Company's definition of free cash flow is cash available for debt servicing, discretionary capital expenditures and the payment of dividends, and is calculated as funds from operations less participation survey additions to the data library. The Company's definition of funds from operations is cash flow from operations as prescribed by Canadian GAAP, but excluding the impact of changes in non-cash working capital. Funds from operations per share is defined as funds from operations divided by the weighted average number of shares outstanding for the period.

Certain information contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements. Investors are encouraged to review the "Risk Factors" section of this MD&A for 2005 for a discussion of risks that could affect the Company's operations and financial results. Forward-looking statements are based upon management's assumptions, expectations and estimates at the time that such statements are made. Pulse does not update forward-looking statements should circumstances change or management's assumptions, expectations or estimates change.

Overview

Pulse is a Calgary-based company specializing in data ownership through acquisition, marketing and information management, with current focus on the energy sector. Through its three operating units, Pulse Seismic, Terrapoint and Trango, the Company has evolved into an industry leader providing better information faster.

Data library sales increased 36 percent to \$34.9 million for the year ended December 31, 2005 compared to \$25.7 million for 2004.

LiDAR revenues for 2005 were \$8.5 million, an 118 percent increase over the \$3.9 million recorded for the period May 26, 2004 to December 31, 2004. However, the LiDAR business segment loss before income taxes increased 41 percent to \$3.4 million in 2005 compared to the 2004 period primarily due to loss of productivity from the high-range LiDAR systems and increased equipment and maintenance costs.

Free cash flow for 2005 was \$23.5 million, compared to free cash flow of \$12.0 million reported in 2004. This significant increase in free cash flow in 2005 compared to 2004 is attributable to higher data library sales in 2005 and lower cash requirements for participation surveys in 2005.

Pulse had a working capital position of \$17.0 million at December 31, 2005 compared to \$3.8 million at December 31, 2004.

Pulse added 2,914 net square kilometres of 3D seismic to its data library during the year through the purchase of a significant seismic dataset in June 2005 (approximately 2,500 net square kilometres of 3D data and 500 net kilometres of 2D data) and through four participation surveys (418 net square kilometres of 3D data), compared to the addition of 1,100 net square kilometres of 3D data acquired through seven participation surveys in 2004.

In addition, Pulse repaid \$5.5 million of long-term debt during 2005, and restructured its long-term debt facility with its principal lender to include an additional \$15.4 million, which was used to purchase the seismic dataset in June 2005.

Net earnings for the year ended December 31, 2005 were \$6.5 million (\$0.14 per share diluted), compared to \$7.7 million (\$0.18 per share diluted) for 2004. Funds from operations for 2005 were \$35.0 million (\$0.75 per share diluted), compared to \$36.8 million (\$0.84 per share diluted) generated for the year ended December 31, 2004. These per share figures are based on the weighted average diluted shares outstanding of 46,842,744 for 2005, compared to 43,990,061 for 2004.

Net earnings for the three-month period ended December 31, 2005 were \$4.0 million (\$0.09 per share diluted) compared to \$5.3 million (\$0.12 per share diluted) for the same period in 2004. Funds from operations for the fourth quarter of 2005 of \$13.9 million (\$0.29 per share diluted) were 8.8 percent lower than the \$15.2 million (\$0.33 per share diluted) generated in the fourth quarter of 2004. These per share figures are based on the weighted average diluted shares outstanding of 47,320,276 for the fourth quarter of 2005 compared to 45,960,481 for the fourth quarter of 2004.

Segment Review

Revenue

For the year ended December 31

(stated in thousands of dollars)

(In 2004, the LiDAR segment includes results from May 26 to December 31.)

Business Segment	2005		2004		% Change
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	
Seismic Data:					
Data library sales	\$ 34,905	63.9	\$ 25,674	50.3	36.0
Participation surveys	10,006	18.3	19,916	39.1	(49.8)
LiDAR	8,452	15.5	3,886	7.6	117.5
Trango	1,455	2.7	1,437	2.8	1.3
Corporate and other	(226)	(0.4)	79	0.2	(386.0)
Total	\$ 54,592	100	\$ 50,992	100	7.1

Earnings (loss) before income taxes

For the year ended December 31

(stated in thousands of dollars)

(In 2004, the LiDAR segment includes results from May 26 to December 31.)

Business Segment	2005	2004	% Change
Seismic Data	\$ 20,152	\$ 20,110	0.2
LiDAR	(3,377)	(2,390)	(41.3)
Trango	(328)	(183)	(79.2)
Corporate and Other	(6,036)	(4,357)	(38.5)
Total	\$ 10,411	\$ 13,180	(21.0)

Revenue

For the three months ended December 31

(stated in thousands of dollars)

Business Segment	2005		2004		% Change
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	
Seismic Data:					
Data library sales	\$ 12,439	65.1	\$ 8,520	44.6	46.0
Participation surveys	4,368	22.8	7,657	40.2	(43.0)
LiDAR	1,963	10.2	2,059	10.8	(4.7)
Trango	390	2.0	820	4.3	(52.4)
Corporate and other	(54)	(0.1)	54	0.1	(200.0)
Total	\$ 19,106	100	\$ 19,110	100	(0.02)

Earnings (loss) before income taxes

For the three months ended December 31

(stated in thousands of dollars)

Business Segment	2005	2004	% Change
Seismic Data	\$ 9,046	\$ 9,471	(4.5)
LiDAR	(1,084)	(675)	(60.6)
Trango	52	373	(86.1)
Corporate and other	(1,645)	(830)	(98.2)
Total	\$ 6,369	\$ 8,339	(23.6)

SEGMENTED REVENUE – SEISMIC DATA



Seismic Data Segment Revenue

The seismic data segment, which includes data library sales and participation survey revenues, contributed 82.2 percent of total revenue for the Company in 2005, and 87.9 percent of total revenue for the fourth quarter of 2005. In 2004, with the Terrapoint acquisition effective May 26, 2004, the seismic data segment contributed 89.4 percent of total revenue for the year ended December 31, 2004 and 84.8 percent of total revenue for the fourth quarter of 2004. For the year ended December 31, 2005, Pulse recorded total seismic revenue of \$44.9 million compared to \$45.6 million for 2004.

Within the seismic data segment the Company generates two types of revenue: data library sales and participation survey revenue. While participation survey revenue increases revenue and earnings significantly in periods of high survey activity, participation surveys represent an investment in the seismic data library that initially draws down the capital resources of the Company. Data library sales generate immediate free cash flow through licenses of seismic data from the existing library of seismic data, which can occur many times without incurring further costs.

Seismic data segment revenue for the year ended December 31, 2005 reflects an overall decrease of 1.5 percent from 2004, but includes a 36.0 percent increase in data library sales year-over-year, and a 46 percent increase in data library sales for the fourth quarter of 2005 compared to the same period in 2004. The primary reason for the small decrease in total seismic data segment revenue was that Pulse recorded \$10.0 million of participation survey revenue in 2005, compared to \$19.9 million of participation survey revenue in 2004. As noted in the "Data Library" section below, participation surveys were reduced in 2005 because the Company invested \$15.2 million to acquire a significant dataset during 2005. The 2004 period had a higher than normal level of participation surveys delivered, due to the late delivery of a program that had been scheduled to be delivered at the end of 2003.

Amortization

Pulse's most significant expense is the charge for data library amortization. Seismic amortization expense was \$21.4 million (47.6 percent of seismic data segment revenue) for 2005, compared to \$22.8 million (50.0 percent of seismic data segment revenue) for 2004. For the three months ended December 31, 2005, the seismic amortization expense was \$6.7 million (40.0 percent of seismic data segment revenue) compared to \$6.4 million (39.3 percent of seismic data segment revenue) for the same period in 2004. Amortization of seismic data is described further under "Critical Accounting Estimates".

SEGMENTED REVENUE – LIDAR AND TRANGO & OTHER



Operating Expenses

Operating expenses for the seismic data segment include items directly related to licensing data. These items include sales commissions, salaries for the Quality Inspection and Sales technicians, and drafting and mapping costs. For 2005, operating expenses were 7.6 percent of seismic segment revenue, compared to 6 percent of seismic revenue in 2004 principally as a result of a higher commission amount paid on a higher level of seismic data library sales. For the fourth quarter of 2005, operating expenses were significantly higher than the fourth quarter of 2004, again due to the significant increase in data library sales of 46 percent in the fourth quarter of 2005 compared to 2004.

Earnings Before Income Taxes ("EBT")

In summary, EBT for the seismic data segment for 2005 remained consistent with the 2004 level as the increase in data library sales of 36.0 percent was offset by the decrease in participation surveys of 49.8 percent. EBT for the fourth quarter of 2005 was \$9.0 million compared to \$9.5 million for the same period in 2004. Again, this overall decrease is due to lower participation survey revenue for the fourth quarter of 2005 compared to 2004, offset partially by higher data library sales. Additionally, the \$15.2 million acquisition of the seismic database in June 2005 has led to an increased monthly amortization expense as the purchase price is amortized on a straight-line basis effective on the acquisition date.

LiDAR Segment Revenue

LiDAR revenue for the fourth quarter of 2005 decreased by 4.7 percent to \$2.0 million compared to revenue for the fourth quarter of 2004 of \$2.1 million, and reached a year-end total of \$8.5 million in 2005. The 2004 year-end total was \$3.9 million; however, this total does not reflect a full year of operations as the LiDAR business was acquired on May 26, 2004.

Amortization and Depreciation

Included in amortization expense for the year ended December 31, 2005 is amortization of the LiDAR data library acquired on the acquisition of Terrapoint of \$176,000. Amortization of LiDAR data is calculated on a straight-line basis over five years. There have been no additional LiDAR data library costs capitalized since the acquisition of Terrapoint.

Pulse's consolidated depreciation expense has not historically been a large expense item, but the addition of Terrapoint's capital equipment has resulted in this expense increasing significantly. The

depreciation expense in the LiDAR segment for the year ended December 31, 2005 was \$2.3 million, and for the fourth quarter of 2005 was \$590,000, compared to \$1.3 million from May 26, 2004 to December 31, 2004, and \$434,000 for the fourth quarter of 2004. Included in these depreciation charges are \$1.6 million for the year ended December 31, 2005 and \$0.4 million for the three months ended December 31, 2005 relating to the depreciation provision on the excess costs attributed to tangible and intangible assets acquired in the purchase of Terrapoint.

Operating Expenses

Included in Terrapoint's operating expenses are all of the costs associated with generating its LiDAR project revenues. Operating expenses as a percentage of revenue for the fourth quarter of 2005 were 80.5 percent compared to 61.2 percent for the third quarter, 73.2 percent in the second quarter and 91.4 percent in the first quarter of 2005. Terrapoint management is continuing to focus on reducing operating costs as a percentage of revenue and improving operational efficiencies.

General and Administrative Expenses ("G&A")

For the year ended December 31, 2005, G&A expenses in the LiDAR segment were \$1.9 million or 21.9 percent of revenue. As a percentage of revenue, G&A expense is reasonably consistent with the prior year's 23 percent. The segment is making strong efforts to control the LiDAR segment G&A expenses.

Research and Development Expenses ("R&D")

The LiDAR segment is the only business segment of Pulse which incurs R&D. The Terrapoint engineering department activity is divided among new product development; maintenance; repair and upgrade of the equipment deployed in day-to-day operations; and research and development aimed at improving performance, reliability, ease of use and technical advancement. The 6.9 percent decrease in R&D for 2005 compared to 2004 is indicative of the increased amount of time the engineering staff spent in support of LiDAR operations in 2005 as opposed to carrying out R&D project work. Terrapoint expects to devote more engineering time to product research and development compared to supporting operations.

Loss Before Income Taxes

The LiDAR segment contributed a loss before income taxes of \$3.4 million in 2005. This loss includes a \$1.1 million loss for the fourth quarter; a \$606,000 loss for the third quarter; a second quarter loss of \$539,000 and a first quarter loss before income taxes of \$1.1 million. Loss of productivity from the high range LiDAR systems and increased equipment maintenance costs were the primary reasons for the increase in the loss before income taxes in 2005.

Trango Segment Revenue

Revenue for 2005 increased 1.3 percent to \$1.5 million in 2005 from \$1.4 million in 2004. For the fourth quarter of 2005 the revenue of \$390,000 was a decrease of 52.4 percent from the \$820,000 generated in the fourth quarter of 2004. In the fourth quarter of 2004 Trango was successful in securing several large contracts with clients in the United States. By the end of 2005 Trango was in the process of negotiating several significant contracts which were subsequently signed in early 2006.

Operating Expenses

For the year ended December 31, 2005 operating expenses increased 17.0 percent, from \$1.4 million in 2004 to \$1.6 million in 2005, as a result of variable operating costs tracking the higher revenue level for Trango. For the three months ended December 31, 2005 the operating expenses decreased 12.1 percent compared to the prior year period due to lower consulting costs, staffing levels and related employment and travel costs.

Loss Before Income Taxes

For the year ended December 31, 2005 the loss before income taxes for Trango was \$328,000, an increase of 79.2 percent compared to the loss of \$183,000 for 2004. The fourth quarter of 2005 showed earnings before income taxes of \$52,000 compared to \$373,000 for the same period in 2004. The cost of servicing contracts has not yet resulted in positive earnings before income taxes on an annual basis. However, sales of products such as Well Manager, Geo-Manager and Trango browser, which have been developed over the last year, are being well received by our clients and are expected to add earnings in the future.

Corporate and Other Segment

The corporate and other segment consists primarily of Pulse's corporate G&A costs, interest and items such as inter-company eliminations and foreign exchange gains and/or losses.

General and Administrative Expenses ("G&A")

For the year ended December 31, 2005 G&A expenses were \$4.7 million, a 50.0 percent increase from \$3.2 million for 2004. The increased amount of corporate G&A expenses in 2005 is related to higher stock-based compensation expense, salaries, travel, consulting, investor relations, rent, IT costs, accounting and legal costs. A portion of these increases is related to Pulse's expansion into the United States through Terrapoint and Trango, and the changing regulatory environment for public companies.

Depreciation Expense

Depreciation expense for the year ended December 31, 2005 increased 36 percent to \$290,000 from \$213,000 in 2004. The fourth quarter 2005 depreciation was \$80,000, an increase of 48.1 percent from the \$54,000 expense for the same three-month period in 2004. The increase is due primarily to the capital expenditures of \$1.6 million in 2005, mainly for technology related equipment that was directed to improving data security, data flow and software upgrades.

Interest Expense

Total interest expense for the year ended December 31, 2005 decreased to \$1.0 million in 2005 from \$1.3 million in 2004. The 2004 interest included an amount of approximately \$303,000 resulting from an income tax audit reassessment dating back to 1999 for Request Seismic Surveys Ltd. With the additional debt undertaken on June 15, 2005 to finance the significant seismic data purchase, the increased monthly interest expense for the second half of the year offsets the reduction in year-over-year interest expense recorded in the first half of 2005.

Consolidated Pulse Data Inc.

Income Taxes

The total income tax provision for the year ended December 31, 2005 was \$3.9 million, reflecting an effective tax rate of 37.7 percent compared to a total provision of \$5.5 million and an effective tax rate of 41.4 percent for 2004. Pulse's effective tax rate in 2004 was significantly higher than the combined federal and provincial tax rate of approximately 34 percent due to the addition of the Large Corporation Tax, non-deductible expenses such as stock-based compensation, and the payment of income taxes resulting from the reassessment of tax returns for Request Seismic Surveys Ltd. relating to taxation years prior to its acquisition by Pulse. In 2005 the effective tax rate was increased to a lesser extent, by non-deductible stock-based compensation and the Large Corporation Tax.

Data Library

Pulse acquires seismic data to grow its data library through two primary methods. The Company conducts participation surveys each year, and also purchases complementary seismic data when the opportunity arises to acquire the proprietary rights. During 2005, Pulse invested \$26.8 million to acquire seismic data. In the second quarter of 2005 the Company paid \$15.2 million to purchase the proprietary rights to approximately 2,500 net square kilometres of 3D seismic data and 500 net kilometres of 2D seismic data, located in the south-central area of Alberta. Additionally, in the first half of 2005, the Company invested \$5.5 million to acquire 244 net square kilometres of 3D data through two participation surveys in northern Alberta. In the fourth quarter of 2005 Pulse spent an additional \$6.0 million to acquire 174 net square kilometres of 3D data through two participation surveys in west-central Alberta. In comparison, the Company spent \$24.8 million on participation surveys in 2004. This amount included \$8.4 million that was recorded at December 31, 2003 as work in progress relating to the participation survey programs completed in the first quarter of 2004, which was converted to data library additions in 2004 with the delivery of the data in February and March 2004.

The LiDAR data library acquired with Terrapoint includes approximately \$805,000 of data acquired in 2003, of which \$ 527,000 remains unamortized at December 31, 2005.

Future Tax Liability

The net future income tax liability has increased from \$6.0 million at December 31, 2004 to \$9.5 million at December 31, 2005. The net future income tax liability of \$9.5 million at December 31, 2005 consists principally of deferred partnership income, and the future tax liability associated with various property and equipment of the Company having a lower tax value than its corresponding accounting value. These liabilities are partially offset by future tax assets of the Company, including non-capital losses in the Trango and LiDAR business segments, and resource deductions available in the seismic segment.

Liquidity, Capital Resources and Capital Requirements

At December 31, 2005 the working capital position of Pulse, including the current portion of long-term debt of \$6.1 million, was \$17.0 million, compared to \$3.8 million at December 31, 2004. The year-over-year working capital position has improved by 342 percent as a result of increased accounts receivable relating to the high level of seismic data library sales achieved late in the year

and a significant cash balance achieved through a successful seismic data library sales year. Subsequent to year end, the Company has collected \$10.8 million of the December 31, 2005 accounts receivable. A significantly lower amount of cash was invested into participation surveys than in 2004, leaving the capital available as current working capital as opposed to converting it into a non-current data library asset.

With the continued trend of very strong seismic data sales levels, Pulse management expects that its funds from operations will be sufficient to finance operations, service debt, and pay dividends and budgeted capital expenditures through 2006. The seismic data library is continually growing through the acquisition of new seismic data – principally 3D. The ongoing growth in the Company's seismic data library continues to position Pulse as a leading provider of valuable seismic data to industry participants well into the future. Historical data sales analysis shows that most seismic data retains its value for many years. Combined with the technological advancements in reprocessing that have been made in recent years, the Company's clients are able to enhance the quality of older data in the library. The business of Terrapoint is growing and significant market opportunities have been identified. Management is focusing on new ways to tap into a greater share of this growth industry.

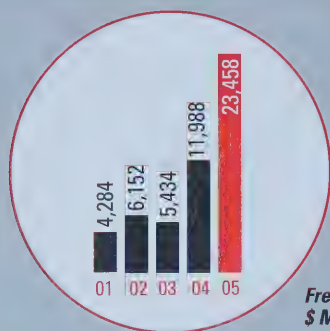
Although quarterly results can show significant swings in working capital because of the impact of participation surveys, Pulse remains liquid. The capital-intensive nature of the seismic business is such that working capital deficiency balances can accumulate during the busy participation survey season, only to be reversed upon delivery of the seismic data to survey participants. In order to limit risk in participation surveys, the Company does not proceed with a participation survey without obtaining minimum pre-funding commitments from clients. Because Pulse's largest expense in any given period is non-cash amortization expense, funds from operations are usually much higher than net earnings.

Contractual Obligations

Pulse's contractual obligations include a long-term debt facility with RoyNat Inc.; the long-term debt acquired with the Terrapoint acquisition; a one-year capital lease for computer equipment that was financed through Scotia Leasing in December of 2003; and other operating leases for certain office equipment and office space.

Contractual Obligations	Payments Due By Period			
	Total	1 Year	Less than 1-3 Years	4-5 Years
Long-term debt	\$ 26,777,000	\$ 6,005,000	\$ 11,600,000	\$ 9,172,000
Capital leases	63,000	63,000	—	—
Operating leases	1,353,000	756,000	533,000	64,000
Total contractual obligations	\$ 28,193,000	\$ 6,824,000	\$ 12,133,000	\$ 9,236,000

Pulse also has a \$10.0 million operating line credit facility with Scotiabank. Any drawdowns on this facility are repayable on demand and bear interest at the bank's prime lending rate plus 0.25 percent. This facility has not been used since 2001.



**Free Cash Flow
\$ Millions**



**Free Cash Flow
Per Share**

Free Cash Flow

Free cash flow for the year ended December 31, 2005 was \$23.5 million, compared to free cash flow of \$12.0 million for 2004. The following table is a summary of free cash flow generated by Pulse over the past five years:

For the year
ended December 31
(000s)

	2005	2004	2003	2002	2001
Funds from operations	\$ 35,017	\$ 36,776	\$ 27,440	\$ 19,830	\$ 20,059
Less:					
Participation survey additions	11,559	24,788	21,256	11,362	15,775
Monetary data exchanges	—	—	750	2,316	—
Free cash flow ⁽¹⁾	\$ 23,458	\$ 11,988	\$ 5,434	\$ 6,152	\$ 4,284

⁽¹⁾ Since January 1, 2005, monetary data exchanges are no longer included in the determination of free cash flow.

The significant increase in free cash flow for 2005 compared to 2004 is attributable to higher data library sales and lower cash requirements for the participation surveys in 2005. Seismic data purchases are deemed to be discretionary expenditures of capital and, as a result, do not decrease free cash flow.

Related Party Transactions

The Company holds an approximate 50 percent undivided interest in certain 2D seismic data totaling 1,765 net kilometres (0.7 percent of the Company's 2D data library), in which two officers of the Company (the President and the Vice-President, Operations) also hold undivided interests. The related parties acquired this data jointly with others prior to Pulse becoming a public company and they have retained their ownership interests. The contract between the parties is for management and licensing of the seismic data to third parties for a success-based fee and only permits payment of revenues to the related parties upon receipt of licensing fees from the third parties. The amount due under these arrangements was \$192,030 at December 31, 2005 (\$45,216 at December 31, 2004).

Critical Accounting Estimates

The capital cost of the seismic data library is amortized on a fixed basis, determined by reference to the estimated timing of the economic return of the library. Additions to the library arise in two distinct ways: (i) participation surveys, and (ii) the purchase of other data. The costs associated with participation surveys are amortized at 35 percent immediately upon completion of the program, with the remaining costs being amortized on a straight-line basis over a seven-year period commencing at the end of the period of exclusivity, generally six months after such delivery. The costs of purchased data are amortized on a straight-line basis over seven years.

The capital cost of the LiDAR data library is amortized on a straight-line basis over five years. The capital cost of the camera systems, technical equipment, proprietary software and processes acquired in Terrapoint are amortized on a straight-line basis over a seven-year period.

Estimates are made concerning the expected useful lives, projected residual values and the potential for impairment of our LiDAR property and equipment. These estimates and any potential impairment are evaluated on a quarterly basis.

Share Capital Summary

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

The following table provides details of the Company's share capital for the years ended December 31, 2005 and December 31, 2004.

December 31	2005	2004
Weighted average shares outstanding:		
basic	46,161,608	43,646,866
diluted	46,842,744	43,990,061
Shares outstanding at period end	46,559,778	45,774,816
Shares outstanding at March 13, 2006	46,616,378	

At December 31, 2005 there were 4,409,839 stock options outstanding at exercise prices ranging from \$0.96 to \$2.28 per share.

At March 13, 2006 there were 4,244,838 options outstanding at exercise prices ranging from \$0.96 to \$2.28 per share.

Diluted Earnings per Share Reconciliation	Income (\$)	Shares and Options at Dec. 31, 2005	Per Share Amount
Income available to common shareholders	\$ 6,488,083		
Basic earnings per share			
Income available to common shareholders	\$ 6,488,083	46,161,608	0.14
Effect of dilutive securities Stock options	—	681,136	
Dilutive earnings per share			
Income available to common shareholders	\$ 6,488,083	46,842,744	0.14

**Financial Summary
of Quarterly Results**

(\$000s except per share data)

	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Data library revenue	12,439	8,614	8,059	5,793	8,520	4,721	8,400	4,033
Participation survey revenue	4,368	607	68	4,963	7,657	(116)	—	12,375
LiDAR revenue	1,963	2,453	2,556	1,480	2,059	1,321	506	—
Trango revenue	390	203	463	399	820	266	193	158
Corporate and other revenue	(54)	(45)	(26)	(101)	54	(53)	(21)	99
Total revenue	19,106	11,832	11,120	12,534	19,110	6,139	9,078	16,665
Net earnings (loss)	4,020	1,061	683	724	5,305	(1,590)	1,053	2,951
Per share — basic	0.09	0.02	0.01	0.02	0.12	(0.04)	0.03	0.07
Per share — diluted	0.09	0.02	0.01	0.02	0.12	(0.04)	0.03	0.07

Pulse's total revenue on a quarterly basis has fluctuated significantly over the past eight quarters. The trend in 2005 was more stable than in prior years, with consistent strong data library sales contributing to this trend. Pulse achieved record annual data library sales in 2005. Terrapoint also achieved a significant revenue level for the year, with the second and third quarters being particularly strong.

There is seasonality reflected in the total revenue numbers, particularly relating to participation survey revenues. The historic trend has been to deliver seismic data from the majority of the participation survey programs in the first two quarters of each year. In 2005 Pulse completed and delivered two programs during the first quarter, with no additional participation surveys commenced until the end of the third quarter. Two more surveys were completed and delivered in the fourth quarter of 2005. Terrapoint can also be affected by differences in seasons. The spring and fall present better opportunities than summer and winter, due to improved conditions during "leaf-off" periods and when the ground is free of snow.

During the past eight fiscal quarters, the fluctuations in earnings have largely been a function of revenue. The quarters with large participation survey revenues are easily identified. Also, the steadily increasing data library sales are having a very positive impact on earnings. There has been a significant change in the diluted number of shares over the last eight months, with the issuance of 4,497,956 common shares on the acquisition of Terrapoint on May 25, 2004 and approximately 1.5 million shares being issued during 2004 and 2005 upon the exercise of stock options and through the dividend reinvestment plan. The increased weighted average number of shares outstanding for these items caused a dilutive impact on earnings per share in 2005.

Selected Annual Financial Information

<i>(\$000s except per share data)</i>	2005	2004	2003
Revenue	54,592	50,992	35,538
Earnings before income taxes	10,411	13,180	9,842
Net earnings	6,488	7,719	5,999
Earnings per share:			
Basic and diluted	0.14	0.18	0.15
Total assets	129,569	108,426	108,336
Long-term debt	20,722	11,203	16,269
Current portion of long-term debt	6,068	5,662	4,172
Cash dividend per common share	0.075 ⁽¹⁾	0.050	0.025 ⁽²⁾

⁽¹⁾ Represents two quarterly dividends of \$0.0125 per common share and two quarterly dividends of \$0.025 per common share.

⁽²⁾ Represents two quarterly dividends of \$0.0125 per common share paid in September 2003 and December 2003.

Recent Canadian Accounting and Related Pronouncements

Non-Monetary Transactions

In June 2005, the Accounting Standards Board ("AcSB") issued Section 3831, Non-Monetary Transactions, which replaces Section 3830 and required that all non-monetary transactions be measured at fair value unless:

- The transaction lacks commercial substance;
- The transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange;
- Neither the fair value of the assets or services received nor the fair value of the assets or services given up is reliably measurable; or
- The transaction is a non-monetary, non-reciprocal transfer to owners that represent a spin-off or other form of restructuring or liquidation.

The new requirements apply to non-monetary transactions initiated in periods beginning on or after January 1, 2006. Earlier adoption is permitted beginning on or after July 1, 2005. The adoption of this standard did not have any impact on our results of operations or financial position in 2005.

Financial Instruments –

Recognition and Measurement, Hedges, and Comprehensive Income

The AcSB issued three sections on financial instruments: Section 1530, Comprehensive Income; Section 3855, Financial Instruments – Recognition and Measurement; and Section 3865, Hedges. These three sections will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. They will require the following:

- all trading financial instruments will be recognized on the balance sheet and will be fair valued through the income statement;
- all remaining financial assets will be recorded at cost and amortized through the financial statements;

- a new statement for comprehensive income that will include certain gains and losses on translation of assets and liabilities; and
- an update to Accounting Guideline 13 to incorporate the fair value changes currently recorded in the income statement to be recorded through the comprehensive income statement.

We have not assessed the impact on the financial statements of the Company at this time; however, initial indications are that we do not expect that the adoption of these standards will have any material impact on our results of operations or financial position.

Disclosure Controls and Procedures

Disclosure Controls and Procedures are controls and procedures designed and implemented by, or under the supervision of the issuer's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to provide reasonable assurance that material information relating to the issuer (including its consolidated subsidiaries) is communicated to them by others in the organization as it becomes known and is appropriately disclosed as required under the continuous disclosure requirements of securities legislation. In essence, these types of controls are related to the quality and timeliness of financial and non-financial information in securities filings.

An evaluation of the effectiveness of the disclosure controls and procedures was conducted as of December 31, 2005, by and under the supervision of Pulse's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to provide reasonable assurance that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

Risk Factors

The principal risk factors that may materially affect Pulse include the following:

Demand for Seismic Data and Services

The demand for seismic data and services depends primarily upon the level of exploration and development activity by oil and natural gas companies in Western Canada. These activity levels are directly affected by fluctuations in world energy prices, supply and demand for oil and natural gas, and to a lesser extent government regulation including regulation of environmental matters, all of which are beyond the control of Pulse. In addition, the oil and gas industry in Western Canada has recently been more focused on development drilling, which has less need of seismic data than exploration drilling.

Participation Surveys

Although Pulse does what it considers to be a thorough analysis of factors affecting the probability

of future sales of its participation seismic surveys, and obtains pre-sale commitments for a significant portion of the estimated costs of the participation seismic surveys, there can be no certainty of future demand for these surveys by the oil and gas industry.

Competition in the Seismic Industry

The geophysical service industry in which Pulse Seismic operates is highly competitive. Pulse Seismic competes with other more established companies which have greater financial, marketing and other resources, and certain of which are large international geophysical services companies that offer a wider array of geophysical services to their clients than Pulse Seismic. Pulse Seismic also competes with other companies that acquire, market and license seismic data, that maintain their own seismic data libraries, and that compete against Pulse Seismic in licensing seismic data to their customers.

Availability of Capital for our Seismic Customers

Pulse Seismic's customers include private oil and gas companies that rely on private equity to fund their exploration and development activities, and junior public companies that rely on public equity to fund their exploration and development activities. Significant changes in the availability of capital to such customers could have a material adverse effect on their ability to purchase seismic data and services.

Effect of Seasons and Weather on Seismic Survey Programs

Seismic surveys are usually completed in the winter season when frozen ground conditions permit the movement and operation of heavy equipment in the northern areas of Alberta and British Columbia. If an unseasonably late or warm winter delays or prevents sufficient freezing, or if an early spring results in an early thaw, Pulse Seismic may not be able to complete its winter seismic survey programs on time and within budget.

Dependence upon Seismic Contractors

Pulse Seismic depends upon qualified seismic acquisition contractors to complete its seismic surveys on time and within budget. Pulse Seismic endeavours to enter into Master Service Agreements and to establish relationships with its key contractors.

Key Personnel

Pulse Seismic depends upon certain key management, operations and marketing personnel for the success of its seismic acquisition, marketing and licensing business. Pulse Seismic endeavours to obtain written employment agreements with such personnel containing confidentiality and non-competition provisions where appropriate.

Effect of Laws

Pulse Seismic's survey operations are subject to a variety of Canadian federal and provincial laws and regulations, including laws and regulations relating to safety and the protection of the environment. Pulse Seismic and its contractors are required to invest financial and managerial resources to comply with such laws and related permit requirements in their operations. Although such expenditures historically have not been material to Pulse Seismic, such laws and regulations are subject to change

and accordingly, it is impossible for Pulse Seismic to predict the cost or impact of such laws and regulations on its future operations. The adoption or modification of laws and regulations, which could have the effect of curtailing exploration and development by oil and gas companies, could also adversely affect Pulse Seismic's operations by reducing the demand for seismic surveys.

Demand for LiDAR Data and Services

Terrapoint's principal customers are oil and gas exploration and development companies, municipalities and engineering companies in North America. The demand for LiDAR data and services from these customers depends upon their levels of activity and capital budgets.

Competition in the LiDAR Service Industry

The LiDAR service industry in which Terrapoint operates is highly competitive. Terrapoint competes with other more established companies, which have greater financial, marketing and other resources. Terrapoint also competes against other smaller companies, which may be more aggressive in their pricing.

Bidding Process in the LiDAR Service Industry

The LiDAR service industry generally operates on a competitive bidding process. The ability of Terrapoint to generate revenues and earnings depends upon its ability to successfully submit tenders for contracts, and to successfully complete awarded contracts within time and on budget.

Effect of Seasons and Weather on LiDAR Surveys

LiDAR surveys in some sectors of the market are acquired during the spring and fall seasons, when there is little foliage or snow. In addition, airborne LiDAR surveys may be hampered or curtailed during cloudy, snowy or other adverse weather conditions. Delays or inability of Terrapoint to complete LiDAR surveys during the spring or fall seasons or during adverse weather conditions could affect the ability of Terrapoint to complete such surveys on time and within budget.

Dependence upon Contractors

Terrapoint depends upon aviation and other contractors to complete LiDAR surveys on time and within budget.

Key Personnel

Terrapoint depends upon certain key management, operations, data processing and marketing personnel for the success of its LiDAR service business. Terrapoint endeavours to obtain written employment agreements with such personnel containing confidentiality and non-competition provisions where appropriate.

Protection of Intellectual Property Rights

Terrapoint depends upon the ownership and protection of its proprietary equipment and technology. The loss or unenforceability of any intellectual property rights could have a material adverse effect on Terrapoint's business and operations.

Effect of Laws

Terrapoint's LiDAR survey operations are subject to a variety of Canadian federal and provincial and United States federal and state laws and regulations, including laws and regulations relating to safety and the protection of the environment. Terrapoint and its contractors are required to invest financial and managerial resources to comply with such laws. Although such expenditures historically have not been material to Terrapoint, such laws and regulations are subject to change and accordingly, it is impossible for us to predict the cost or impact of such laws and regulations on Terrapoint's future operations.

Technological Obsolescence

The reliability and productivity of the Terrapoint LiDAR system is heavily dependent on the successful operation and underlying technology of the equipment. The inability of Terrapoint to complete LiDAR surveys due to unreliable or unproductive operations or technological obsolescence of the LiDAR equipment has affected and could continue to affect the ability of Terrapoint to complete such surveys on time and within budget.

Demand for Trango Products and Services

Trango's principal customers are oil and gas exploration and development customers in North America. The demand for Trango's products and services depends primarily upon the level of exploration and development activity by oil and natural gas companies in North America. These activity levels are directly affected by fluctuations in world energy prices, supply and demand for oil and natural gas, and to a lesser extent government regulation, including regulation of environmental matters, all of which are beyond Trango's control.

Competition in the Software and Services Industry

The software and service industry in which Trango operates is highly competitive. Trango competes with other more established companies, which have greater financial, marketing and other resources. The ability of Trango to compete depends upon its ability to develop and sell products and services that are more advanced and cost competitive.

Key Personnel

Trango depends upon certain key management, software development and marketing personnel for the success of its software and service business. Trango endeavours to obtain written employment agreements with such personnel containing confidentiality and non-competition provisions where appropriate.

Protection of Intellectual Property Rights

Trango depends upon the ownership and protection of its proprietary technology. The loss or unenforceability of any intellectual property rights could have a material adverse effect on Trango's business and operations.

Additional Information

You may find additional information relating to Pulse, including the Company's Annual Information Form, on SEDAR at www.sedar.com.

Activity levels in the oil and gas industry have been robust over the last few years due to the strong commodity pricing environment. This high level of activity is expected to continue through 2006, and consequently the demand for seismic data, which plays an integral role in the early stages of exploration and development drilling activity, should continue to remain healthy. In addition, with further industry exploration and development activity targeted for northern Alberta and British Columbia, the demand for Pulse's participation survey programs is also expected to be strong.

The LiDAR business segment did not meet financial and operating expectations in 2005 due primarily to the low reliability and productivity from the high range LiDAR systems. In the first quarter of 2006, corrective steps have been taken through new sales and marketing initiatives and new product development which are expected to significantly improve the reliability and capacity of the high range systems, and in turn improve the financial results of this business segment.

In 2005, Trango made significant inroads into the United States marketplace, and through its growing reputation for providing quality exploration data management products and services, has increased its market share. Trango has provided a quality product to Pulse that efficiently manages the Company's seismic data library requirements; however, it remains a non-core commercial business of Pulse, and the Company has initiated a program to review a potential restructuring or monetization of Trango in 2006.

By focusing on its core seismic business, Pulse has significantly strengthened its balance sheet in 2005 through the generation of a record level of free cash flow. With confidence that free cash flow levels will continue to be generated by the Company's quality asset base, the Company announced on February 14, 2006 a 50 percent increase in the annual dividend rate to \$0.15 per common share.

March 13, 2006



Ken G. MacDonald
President and C.E.O.



Douglas A. Cutts
Vice President Finance and C.F.O.

Certain information contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

Investors are encouraged to review the "Risk Factors" section of this Management's Discussion and Analysis for a discussion of risks that could affect the Company's operations and financial results. Forward-looking statements are based upon management's assumptions, expectations and estimates at the time that such statements are made. Pulse does not update forward-looking statements should circumstances change or management's assumptions, expectations or expectations change.

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Pulse Data Inc. as at December 31, 2005 and 2004 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 13, 2006

Consolidated Financial Statements

Consolidated Balance Sheets

December 31, 2005 and 2004
(In thousands of dollars)

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,909	\$ 3,827
Accounts receivable	20,594	12,832
Prepaid expenses	316	234
Work in progress	993	693
	33,812	17,586
Long-term receivable	800	—
Data libraries (note 3)	80,256	75,008
Participation surveys in progress	192	2
Property and equipment (note 4)	13,859	15,042
Investments	432	667
Deferred charges	218	121
	\$ 129,569	\$ 108,426
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,748	\$ 4,466
Deferred revenue	4,000	3,613
Current portion of long-term debt (note 6)	6,068	5,662
	16,816	13,741
Long-term debt (note 6)	20,772	11,203
Future income taxes (note 5)	9,549	5,975
Shareholders' equity:		
Share capital (note 7)	51,808	50,531
Contributed surplus (note 7)	1,079	449
Retained earnings	29,545	26,527
	82,432	77,507
Commitments (note 10)		
	\$ 129,569	\$ 108,426

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Ken MacDonald
Director



Graham Weir
Director

Consolidated Statements of Earnings and Retained Earnings

Years ended December 31, 2005 and 2004

(In thousands of dollars, except per share data)

	2005	2004
Revenue	\$ 54,592	\$ 50,992
Operating expenses:		
Amortization of data libraries	21,536	22,862
Operating	11,085	6,583
Depreciation and amortization	2,693	1,615
	35,314	31,220
Gross margin	19,278	19,932
General and administrative expenses	6,688	4,215
Research and development expenses	1,169	1,256
Interest:		
Long-term debt	1,300	1,039
Other	(290)	242
	1,010	1,281
Earnings before income taxes	10,411	13,180
Income taxes (note 5):		
Current	349	950
Future	3,574	4,511
	3,923	5,461
Net earnings	\$ 6,488	\$ 7,719
Retained earnings, beginning of year	\$ 26,527	\$ 21,027
Dividends paid	(3,470)	(2,219)
Retained earnings, end of year	\$ 29,545	\$ 26,527
Earnings per share, basic and diluted	\$ 0.14	\$ 0.18

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2005 and 2004
(In thousands of dollars)

	2005	2004
Cash provided by (used in):		
Operations:		
Net earnings	\$ 6,488	\$ 7,719
Items not involving cash:		
Amortization of data libraries	21,536	22,862
Depreciation and amortization	2,693	1,615
Unrealized gain on foreign exchange	(107)	(276)
Future income taxes	3,574	4,511
Stock-based compensation	813	425
Other	20	(80)
Funds from operations	35,017	36,776
Net change in non-cash working capital items related to operations	(4,157)	(5,989)
Decrease in non-current deferred revenue	—	(324)
	30,860	30,463
Financing:		
Long-term debt	15,439	—
Repayment of long-term debt	(5,464)	(4,624)
Issue of share capital	1,094	810
Dividends paid	(3,470)	(2,219)
Increase in deferred charges	(145)	(44)
	7,454	(6,077)
Investing:		
Additions to data libraries through participation surveys	(11,559)	(24,788)
Seismic data purchases (note 2)	(15,225)	(1,295)
(Increase) decrease in participation surveys in progress	(190)	8,436
Decrease in investments	235	216
Additions to property and equipment	(1,510)	(574)
Business acquisition (note 2)	—	(2,142)
Net change in non-cash working capital items related to investing	(1,983)	(9,430)
	(30,232)	(29,577)
Increase (decrease) in cash position	8,082	(5,191)
Cash and cash equivalents, beginning of year	3,827	9,018
Cash and cash equivalents, end of year	\$ 11,909	\$ 3,827

During the year the Corporation paid interest of \$1,284,000 (2004 — \$1,350,000) and received interest of \$137,000 (2004 — \$61,000). During the year the Corporation paid income taxes of \$177,000 (2004 — \$1,137,000).

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2005 and 2004

(Tabular amounts in \$000's except per share data)

Pulse Data Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act and is a publicly-traded company on the Toronto Stock Exchange under the symbol PSD.

1. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Corporation's wholly-owned subsidiary companies, a general partnership, as well as those of a wholly-owned trust and its subsidiary companies and limited partnerships.

(b) Participation in joint ventures:

Certain of the Corporation's seismic data acquisition activities are conducted jointly with others. These consolidated financial statements reflect only the Corporation's proportionate interest in such activities.

(c) Revenue recognition:

Revenue is recorded as and when seismic data is delivered. In the case of participation surveys, this occurs when the seismic work, including data processing, is complete and delivery to the customer has occurred. In the case of library cards (requiring the subsequent delivery of seismic data), revenue is recognized when the client has chosen specific data and taken delivery thereof; until then the sales value is recorded as deferred revenue.

In the case of LiDAR mapping surveys and services, revenue is recognized over the term of the agreement as milestones are achieved and delivered. Amounts received in advance of qualifying for recognition are recorded as deferred revenue.

(d) Cash and cash equivalents:

Short-term investments with an original maturity of three months or less are considered to be cash equivalents.

(e) Data libraries:

The seismic data library is amortized on a fixed basis, determined by reference to the estimated timing of the economic return. Additions to the data library arise in two distinct ways: (i) participation surveys and (ii) the purchase of existing data. The costs associated with participation surveys are amortized at 35 percent immediately on the delivery of the

data to the participants with the balance being amortized on a straight-line basis over the seven-year period commencing at the end of the period of exclusivity, generally six months after such delivery. Similarly, the costs of purchased data are amortized on a straight-line basis over seven years.

The LiDAR library, purchased as part of the acquisition of Mosaic Mapping Corporation, is amortized on a straight-line basis over five years.

The Corporation reviews, at least annually, the carrying value of the data libraries to assess whether there has been an impairment in value. Additional amortization is recorded if it is determined that estimated future sales will not be sufficient to cover the carrying value of the asset.

(f) Property and equipment:

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided using the following methods:

	Declining Balance	Straight Line
Computer hardware and software	30%	
Office equipment	20%	
LiDAR sensor and survey equipment		Seven years
Leasehold improvements		Balance of lease

(g) Investments:

Investments are recorded at cost. Should the estimated fair value of an investment decline below its cost and this decline is considered to be other than temporary, the investment would be written down accordingly.

(h) Deferred financing costs:

Deferred financing costs are amortized over the term of the related loans.

(i) Income taxes:

Income taxes are accounted for using the asset and liability method whereby future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using tax rates expected to apply when the asset is realized or the liability settled.

(j) Earnings per share:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury-stock method, which assumes that any proceeds obtained on the exercise of options would be used to purchase common shares at the average market price during

the period. The weighted average number of shares outstanding is then adjusted by the net change.

(k) Stock-based compensation:

Stock-based compensation attributable to stock options granted after 2002 is measured at fair value at the grant date and expensed over the vesting period, with a corresponding increase in contributed surplus. The Corporation does not incorporate an estimated forfeiture rate for stock options that will not vest; rather actual forfeitures are accounted for as they occur.

(l) Research and development:

Research and development costs are charged to income as incurred. Costs associated with the development of new equipment and systems are expensed during the period unless the recovery of these costs can be reasonably assured given the existing and anticipated future industry conditions.

(m) Foreign Currency Translation:

Accounts of foreign operations which are considered financially and operationally integrated are translated to Canadian dollars using average exchange rates for the reporting period for revenue and expenses. Monetary assets and liabilities are translated at period end current exchange rate and non-monetary assets and liabilities are translated using historical rates of exchange. Gains or losses resulting from these translation adjustments are included in net earnings.

Transactions in foreign currencies are translated at rates in effect at the time of the transaction. Monetary assets and liabilities are translated at current rates. Gains or losses are included in net earnings.

(n) Comparative figures:

Certain figures with respect to fiscal 2004 have been reclassified to conform to the current year's presentation.

2. Acquisitions:

- (a)** On June 15, 2005 the Corporation acquired approximately 2,500 square kilometres of 3D seismic data and 530 kilometres of 2D seismic data from an unrelated third party for \$15,225,000. The purchase was funded by drawing an additional \$15,439,000 of long-term debt.
- (b)** On May 25, 2004 the Corporation issued 4,497,956 common shares for all of the issued and outstanding shares of Mosaic Mapping Corporation, now known as Terrapoint, a company with offices in Calgary, Ottawa and Houston. Terrapoint provides technology solutions in the fields of airborne and ground-based LiDAR for geographic information

system ("GIS") applications that include oil and gas exploration, infrastructure and land development in North American and international markets. The acquisition was accounted for using the purchase method of accounting with the results of operations included from the date of acquisition. The cost of the net assets acquired, at their estimated fair values, and the consideration paid were as follows:

Net assets acquired:			
Current assets		\$	1,261
LiDAR data library			805
Property and equipment			15,089
Current liabilities			(2,796)
Long-term debt			(1,048)
Future income tax liability			(3,522)
		\$	9,789
Consideration:			
Common shares		\$	7,647
Cash (including transaction costs of \$388,000)			2,142
		\$	9,789

3. Data libraries:

2005	Cost	Accumulated amortization	Net book value
Seismic Data	\$ 170,630	\$ 90,901	\$ 79,729
LiDAR Data	805	278	527
	\$ 171,435	\$ 91,179	\$ 80,256

2004	Cost	Accumulated amortization	Net book value
Seismic Data	\$ 143,846	\$ 69,541	\$ 74,305
LiDAR Data	805	102	703
	\$ 144,651	\$ 69,643	\$ 75,008

4. Property and equipment:

2005	Cost	Accumulated depreciation	Net book value
LiDAR sensor and surveying equipment	\$ 14,767	\$ 3,319	\$ 11,448
Computer hardware and software	4,954	2,795	2,159
Office equipment	569	369	200
Leasehold improvements	371	319	52
	\$ 20,661	\$ 6,802	\$ 13,859

2004	Cost	Accumulated depreciation	Net book value
LiDAR sensor and surveying equipment	\$ 14,549	\$ 1,215	\$ 13,334
Computer hardware and software	3,718	2,308	1,410
Office equipment	559	323	236
Leasehold improvements	325	263	62
	\$ 19,151	\$ 4,109	\$ 15,042

Included in the foregoing at December 31, 2005 are assets under capital lease with a net book value of \$48,000 (2004 – \$69,000).

5. Income taxes:

Income tax expense differs from the amount that would be computed by applying the basic combined Federal and Provincial statutory income tax rate to earnings before income taxes. The reasons for the differences are as follows:

	2005	2004
Earnings before income taxes	\$ 10,411	\$ 13,180
Combined Federal and Provincial income tax rate	33.62%	33.87%
Computed income tax provision	3,500	4,464
Effects of differences:		
Capital taxes	160	173
Current income tax recovery at different tax rates	(38)	(32)
Non-deductible expenses	228	114
Prior year tax reassessment	–	727
Other	73	15
Actual income tax expense	\$ 3,923	\$ 5,461

The components of the net future income tax liabilities are as follows:

	2005	2004
Future income tax asset:		
Resource expenditures	\$ 2,075	\$ 3,393
Non-capital losses	3,417	2,303
Share issue costs	57	109
Gross future income tax assets	5,549	5,805
Less valuation allowance	1,061	1,061
	4,488	4,744
Future income tax liability:		
Deferred partnership income	6,247	5,713
Property and equipment	7,790	5,006
	14,037	10,719
Net future income tax liabilities	\$ 9,549	\$ 5,975

At December 31, 2005 the Corporation had non-capital losses in Canada of \$8,193,000 (2004 – \$6,000,000) expiring in various amounts between 2008 and 2015. The Corporation also had net operating losses of \$1,678,000 (2004 – \$700,000) in the United States which expire between 2023 and 2025.

6. Long-term debt:

	2005	2004
Bank term loan, repayable in set monthly installments of \$483,350 per month over five years, plus interest at the lender's base rate plus 2.75 percent, secured by assets of the Corporation	\$ 26,572	\$ 16,175
Promissory note payable in US funds (\$177,000 US), non-interest bearing, due semi-monthly based on 5 percent of cash receipts for sale or license of assets purchased from the holder, secured by the purchased assets.	205	500
Promissory note payable in US funds, bearing interest at 7 percent, due in monthly installments of \$21,632 US, secured by assets purchased from the holder.	—	52
Capital lease obligations	63	138
	26,840	16,865
Less current portion	6,068	5,662
	\$ 20,772	\$ 11,203

Future repayments due within each of the next five years are estimated as follows:

2006	\$ 6,068
2007	5,800
2008	5,800
2009	5,800
2010	3,372
	\$ 26,840

7. Share capital:

(a) Authorized:

The Corporation's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

(b) Common shares issued:

	Number of Shares	Amount
Balance, December 31, 2003	40,534,068	42,064
Issued on business acquisition (note 2)	4,497,956	7,647
Issued for cash on exercise of stock options	727,574	787
Dividend reinvestment plan	15,218	23
Transferred from contributed surplus on exercise of stock options	—	10
Balance, December 31, 2004	45,774,816	\$ 50,531
Issued for cash on exercise of stock options	688,552	893
Dividend reinvestment plan	96,410	201
Transferred from contributed surplus on exercise of stock options	—	183
Balance, December 31, 2005	46,559,778	\$ 51,808

(c) Contributed surplus:

	2005	2004
Balance, December 31	\$ 449	34
Stock-based compensation	813	425
Transfer to share capital on exercise of stock options	(183)	(10)
Balance, December 31	\$ 1,079	449

(d) Stock options:

The Corporation has a stock option plan under which directors, officers, employees and certain consultants are eligible to receive options to purchase common shares of the Corporation. The options granted vest one-third on each of the first, second and third anniversaries of the date of grant and expire on the fifth anniversary. The options granted prior to 2003 are fully vested. At December 31, 2005 options to purchase 4,409,839 shares were outstanding at exercise prices ranging from \$0.96 to \$2.28 and having a weighted average remaining life of 3.25 years.

	2005		2004	
	Options	Weighted average price	Options	Weighted average price
Outstanding, beginning of year	3,445,699	\$ 1.50	1,946,700	\$ 1.11
Granted	1,859,500	2.24	2,617,500	1.67
Expired	(206,808)	1.70	(390,927)	1.46
Exercised	(688,552)	1.30	(727,574)	1.08
Outstanding, end of year	4,409,839	1.84	3,445,699	\$ 1.50
Exercisable, end of year	1,040,162	\$ 1.43	519,757	\$ 1.13

The per share weighted-average fair value of stock options granted during the year was \$1.16 (2004 – \$0.81) using the Black-Scholes model with the following assumptions: risk-free interest rate of 4.25 percent (2004 – 4.25 percent), expected life of 5 years and a weighted-average expected volatility of 62 percent (2004 – 54 percent) and assumed dividend rate of \$0.05 per year.

The Corporation continues to disclose the pro-forma earnings impact of stock options granted prior to 2003. If the fair value method had been used for options granted prior to 2003, net earnings for the year ended December 31, 2005, would have been reduced by \$136,000 (2004 – \$147,000) and earnings per share would have remained unchanged.

(e) Earnings per share:

Basic earnings per share is computed using the weighted-average number of common shares outstanding during the year, being 46,161,608 for 2005 and 43,646,866 for 2004.

Diluted earnings per share is computed using the “treasury stock” method whereby outstanding stock options are only dilutive if, and to the extent, that they are “in the money”. In computing diluted earnings per share, 681,136 shares (2004 – 343,195) were added to the weighted average number of common shares outstanding for the dilution from the stock options.

(f) During 2005, 96,410 common shares (2004 – 15,218) in the amount of \$200,715 (2004 – \$23,000), were issued under the dividend reinvestment plan ("DRIP").

8. **Related party transactions:**

The Corporation holds an approximate 50 percent undivided interest in certain seismic data totaling 1,765 net kilometers (0.7 percent of the Corporation's 2D data library) in which certain officers of the Corporation also hold undivided interests. The contract between the parties is for the management and licensing of the seismic data to third parties for a success-based fee and only permits payment of revenues to the related parties upon receipt of the licensing fees from the third parties. The amount due under these arrangements at December 31, 2005 was \$192,030 (2004 – \$45,216).

9. **Financial instruments:**

The carrying values of all of the Corporation's monetary assets and liabilities approximate their fair values.

Seismic industry practice includes participation in joint ventures and the use of brokers for the sale of seismic data licenses. In these circumstances the existence of intermediaries can limit the Corporation's control over customer selection and the collection of sales proceeds.

The Corporation is exposed to foreign currency fluctuations in relation to its international operations. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

The Corporation is exposed to interest rate fluctuations in respect of its long-term debt and drawings under its other bank credit facilities.

10. **Commitments:**

The Company is committed to annual operating lease payments as follows:

2006	\$	756
2007		402
2008		131
2009		64

11. **Segmented information:**

The Corporation reports in four segments: seismic data, LiDAR, Trango, and corporate and other. Under the first segment, the Corporation specializes in acquiring, marketing and licensing non-exclusive seismic data through its general partnership, Pulse Seismic. The inventory of seismic data is acquired either by shooting participation surveys or by purchasing existing seismic data libraries. While Pulse Seismic maintains a proprietary interest in the seismic data from all such participation surveys, the initial participants may be granted exclusive rights for an initial period during which Pulse Seismic cannot license the data to others. Participation survey revenue includes all revenues for licenses sold prior to the delivery of the seismic data to the initial

participants or the expiry of the exclusive periods, whichever occurs later. Thereafter the data forms part of Pulse Seismic's seismic data library, with subsequent sales categorized as data library revenue. Additionally, the Corporation conducts exclusive seismic programs for clients, for which it earns a project management fee. Pulse does not hold an ownership position in the data shot for these programs and the revenue earned is included in participation survey revenue. All of the foregoing types of revenue are included in the seismic data segment. The second segment the Corporation reports is LiDAR, generating revenue through its wholly owned subsidiaries, Terrapoint Canada Inc. and Terrapoint USA Inc. LiDAR revenue is generated by conducting custom development projects for clients using the process of airborne laser mapping, a method of obtaining three-dimensional data required for the creation of digital terrain models, as well as selling licensed copies of LiDAR data from the proprietary LiDAR data library. The third segment includes the operations of Trango, which incorporates the software licensing revenues and software development carried out for the oil and gas industry by Trango Technologies Inc. The Corporate and Other segment includes a foreign exchange loss of \$161,732 for the year ended December 31, 2005.

Year ended December 31, 2005	Seismic Data	LiDAR	Trango	Corporate and Other	Total
Revenue					
Data library sales	\$ 34,905	\$ —	\$ —	\$ —	\$ 34,905
Participation surveys	10,006	—	—	—	10,006
LiDAR	—	8,452	—	—	8,452
Trango	—	—	1,455	—	1,455
Corporate and other	—	—	—	(226)	(226)
Total revenue	44,911	8,452	1,455	(226)	54,592
Amortization	21,360	176	—	—	21,536
Segment profit (loss), before undernoted	23,551	8,276	1,455	(226)	33,056
Operating expenses	3,399	6,306	1,588	(208)	11,085
General and administrative	—	1,850	117	4,721	6,688
Depreciation	—	2,325	78	290	2,693
Research and development	—	1,169	—	—	1,169
Interest expense	—	3	—	1,007	1,010
Earnings (loss) before income taxes	\$ 20,152	\$ (3,377)	\$ (328)	\$ (6,036)	\$ 10,411
Total assets	\$ 109,562	\$ 17,006	\$ 1,437	\$ 1,564	\$ 129,569
Capital expenditures	\$ 26,974	\$ 567	\$ 16	\$ 927	\$ 28,484

Year ended December 31, 2004	Seismic Data	LiDAR	Trango	Corporate and Other	Total
Revenue					
Data library sales	\$ 25,674	\$ —	\$ —	\$ —	\$ 25,674
Participation surveys	19,916	—	—	—	19,916
LiDAR	—	3,886	—	—	3,886
Trango	—	—	1,437	—	1,437
Corporate and other	—	—	—	79	79
Total revenue	45,590	3,886	1,437	79	50,992
Amortization	22,760	102	—	—	22,862
Segment profit (loss), before undernoted	22,830	3,784	1,437	79	28,130
Operating expenses					
General and administrative	—	895	160	3,160	4,215
Depreciation	—	1,299	103	213	1,615
Research and development	—	1,256	—	—	1,256
Interest expense	—	17	—	1,264	1,281
Earnings (loss) before income taxes	\$ 20,110	\$ (2,390)	\$ (183)	\$ (4,357)	\$ 13,180
Total assets	\$ 88,418	\$ 16,393	\$ 1,358	\$ 2,257	\$ 108,426
Capital expenditures	\$ 17,647	\$ 224	\$ 17	\$ 333	\$ 18,221

Board of Directors

Clark Zentner ^{(1) (3)}

Chairman of the Board
Independent Businessperson

Daphne Corbett ^{(1) (3)}

Independent Businessperson

Arthur Dumont ^{(2) (3) (4)}

Chairman & CEO
Technicoil Corporation

Peter Fuss ^{(2) (3)}

Management Consultant

Ken MacDonald ⁽⁴⁾

President & CEO
Pulse Data Inc.

Graham Weir ^{(1) (3)}

Independent Businessperson

Donald West ^{(2) (3) (4)}

Independent Businessperson

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Compensation Committee

⁽³⁾ Member of the Corporate Governance Committee

⁽⁴⁾ Member of the Environmental, Health and Safety Committee

Officers

Ken MacDonald

President & CEO

Douglas Cutts

Vice President, Finance & CFO

Brent Gale

Vice President, Operations & COO

Richard Earle

Vice President, Sales & Marketing

Norman Hall

Corporate Secretary

Deryl Williams

President,
Trango Technologies Inc.

Bruce Nelson

President,
Terrapoint USA Inc.

James Ferguson

President,
Terrapoint Canada Inc.

Paul Mrstik

Vice President, Engineering
Terrapoint Canada Inc.

Roger Shreehan

Vice President, Operations
Terrapoint Canada Inc.

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Bankers

Bank of Nova Scotia
Calgary, Alberta

RoyNat Capital Inc.
Calgary, Alberta

Registrar & Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Solicitors

Gowling Lafleur Henderson LLP,
Calgary, Alberta

Auditors

KPMG LLP,
Calgary, Alberta

Stock Exchange Listing

The Toronto Stock Exchange
Symbol: PSD

Annual General Meeting

Wednesday, May 24, 2006

3:00 pm

Viking Room

The Calgary Petroleum Club

319 - 5th Ave. S.W.,

Calgary, Alberta.

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